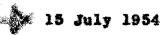
MSC BRIEFING



INDONESIA

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	I.	After nearly year in office	
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appears fairly secure for time being.

- A. Of two small parties that were reported ready withdraw support two weeks ago, one has had change of heart, other is still wavering.
 - Even should both withdraw, the government,
 by relying on Communist supporters, might
 still survive.
 - President Sukarno apparently determined
 to keep present line-up.
- B. Recent reassignment of parliamentary seats gave Mational Party (PNI), which heads government, four more than major opposition party (Masjumi).
- C. Although considerable deterioration in nation's export economy, this not yet important political issue.
 - 1. Hain sufferers are Chinese and European trading interests who are politically powerless.
 - 2. Also, opposition parties are not eager to inherit economic mess.

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- II. Ali's confidence probably a factor in timing of apparent decision to ship rubber to China.
 - A. Polish vessel loading rubber in Djakarta harbor since 1 July.

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- 2. First shipment reportedly 6000 tons.
- 3. Loading temporarily ceased after 250 tons on board, suggesting government decision not yet firm.
- B. PMI, with strident support of Communists, has advocated rubber sales to China since UN embargo first imposed.
 - Indications in past Indonesians having trouble making deal with Peiping.
 - a. China's strategic requirements met by
 Ceylon rubber; any purchase from Indonesia
 believed primarily political--perhaps
 to strain US-Indo relations.
- C. Indo government's view of world alignment may also be factor in decision.

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- D. In talks with our ambassador, Ali did not admit shipment going forward.
 - 1. But hoped Eattle Act would not be invoked should few tons rubber go to China.
 - 2. Noted that, in any case, US aid to Indo so small that would not be missed.
- III. Indo world's largest natural rubber producer -- comprises over one third of exports.
 - A. More than half Indonesia's rubber produced by "small-holders" rather than large plantations (estates").
 - Interests of small-holders are important political factor.
 - B. Such rubber not top quality and Indos claim hard to market.
 - C. But there is current demand for it on MY market.
 - Importers there note reduced availability such rubber; several Indo firms have defaulted on contracts.
 - a. Probably result Indonesia's complex exchange, export regulations.
 - b. But possible Indos holding it off
 market, accumulating for sale China.